

## Message Text

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PAGE 01 STATE 106865  
ORIGIN ARA-04

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FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

AMCONSUL BELIZE

USCINCSO

XMT AMEMBASSY GUATEMALA

UNCLAS STATE 106865

FOLLOWING REPEAT GUATEMALA 2818 ACTION SECSTATE INFO USUN  
NEW YORK BELIZE MAY 06.  
QUOTE UNCLAS GUATEMALA 2818

DEPT PASS ALL ARA DIPLOMATIC POSTS

E.O. 11652: N/A

TAGS: ECLA, ECON, GT

SUBJECT: RAUL PREBISCH ADDRESSES 17TH SESSION

SUMMARY: DR. PREBISCH DELIVERED A WIDE-RANGING AND EFFECTIVE  
CRITIQUE OF OBSTACLES TO LATIN AMERICAN DEVELOPMENT. HE DIS-  
CUSSED POVERTY, CAPITAL FORMATIOON, CONSUMPTION PATTERNS, TRANS-  
NATIONAL ENTERPRISES (TNE'S) REGIONAL INTEGRATION, DEVELOPED-COUNTRY  
TRADE POLICIES, AND EMPLOYMENT PROBLEMS, AND ROUNDLY ENDORSED  
THE IMPORTANCE OF HUMAN RIGHTS TO DEVELOPMENT. END SUMMARY.

1. PREBISCH BEGAN HIS STATEMENT BY DISCUSSING "CRITICAL POVERTY."  
HE NOTED THAT IT WAS ORIGINALLY THOUGHT THAT A DYNAMIC DEVELOPMENT  
PROCESS WOULD CORRECT THE PROBLEM, BUT WE NOW RECONIZE IT HAS  
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PAGE 02 STATE 106865

NOT AND WILL NOT. HE SAID THAT IT IS A RESULT OF THE MALDISTRIBUTION  
OF INCOME AND THAT THE ISSUE HAS TO BE SQUARELY FACED. SUGGESTED  
THAT GREATER EMPHASIS ON LATIN AMERICAN CAPITAL FORMATION,  
FINANCIAL, HUMAN AND SOCIAL MIGHT ALLOW MORE RAPID PROGRESS.  
HE SUGGESTED THAT A MORE EFFECTIVE SYSTEM TO CAPTURE AND  
DISTRIBUTE THE BENEFITS OF MODERN TECHNOLOGY WOULD HELP UNDERWRITE  
THIS CAPITAL FORMATION, HE ROUNDLY CRITICIZED WASTEFULIINITIATIVE

CONSUMPTION PATTERNS WHICH HE SAID ARE INCOMPATIBLE WITH DEVELOPMENT EFFORTS. HE DISMISSED SUGGESTIONS THAT THIS CONSUMPTION SHOULD BE BLAMED ON TNE'S OR OTHER FOREIGN INFLUENCES, ALTHOUGH THEY ENCOURAGE IT AND PROFIT FROM ITS,IBUT SAID LATIN AMERICA HAD CHOSEN THE PATTERN ITISELF AND MUST ACCEPT THE RESPONSIBILITY.

2. HE DISCUSSED TNE'S AT SOME LENGTH IN DIFFERENT CONTEXTS. HE NOTED THAT THEY ARE VERY POWERFUL AND EFFECTIVE ORGANIZATIONS BUT THAT THEY ARE CONTRIBUTORS TO CERTAIN MAJOR EVILS, INCLUDING POLLUTION AND THE WASTE OF NATURAL RESOURCES. HE SUGGESTED THAT GREATER INTRA-LATIN AMERICA COOPERATION WOULD INCREASE THE SLATIN'S NEGOTIATING POWER VIS-A-VIS THE TNE'S AND ALLOW THE COUNTRIES TO GET THE ADVANTAGES OF TNE'S WITHOUT THEIR DISADVANTAGES. HE SAID THAT EVEN THE USSR HAS NOW LEARNED TO USE THESE ORGANIZATIONS TO ITS WON BENEFIT. HE MENTIONED THE TENDENCY IN LATIN AMERICA TO RELY ON THE TNE'S FOR THEIR CAPITAL NEEDS AND USE THEIR OWN RESOURCES FOR CONSUMPTION RATHER THAN SAVINGS AND CAPITAL FORMATION.

3. PREBISCH ACKNOWLEDGED THAT, WITH THEIR POWER FOR INNOVATION, TNE'S HAVE TAKEN ADVANTAGE OF BOTH IMPORT SUBSTITUTION AND EXPORT PROMOTION POLICIES OF LATIN AMERICAN GOVERNMENTS AND, THUS, TNE'S PERFORM AN IMPORTANT TASK IN MANUFACTURING GOODS BUT NOTED THAT THEIR MARKETING EFFORTS ARE DIRECTED TOWARD DEVELOPING COUNTRY MARKETS.

4. ON TRADE, PREBISCH CRITICIZED THE DEVELOPED COUNTRIES FOR NOT REDUCING BARRIERS TO IMPORTS OF PRODUCTS WHERE LATIN  
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PAGE 03 STATE 106865

AMERICA HAS OR COULD HAVE A COMPARATIVE ADVANTAGE. THIS SITUATION AMMLMOST GUARANTEES THAT THE REPATRIATION OF TNE EARNINGS WILL ACT AS A DRAIN ON DEVELOPMENT RESOURCES WITHOUT OFFSETTING EXPORT EARNINGS. PREBISCH ALSO CRITICIZED CONTINUED TRARIFF ESCALATION AND DESCRIBED THE GSP, WITH ALL ITS LIMITATIONS, AS A VERY MODEST PROGRAM.

5. HE EXPRESSED GREAT CONCERN ABOUT THE LACK OF PROGRESS ON LATIN AMERICAN REGIONAL INTEGRATION, NOTING THAT LAFTA SEEMS TO CRAWL ALONG, STUMBLING OVER EVERY STONE BECAUSE IT DOES NOT SET ITS SIGHTS HIGH ENOUGH. HE SUGGESTED THE POSSIBILITY OF FORMING LATIN AMERICAN MULTINATIONS CORPORATIONS AS A WAY OF INCREASING RECIPROCAL TRADE IN THE REGION AND MOBILIZING ITS RESOURCES.

6. PREBISCH SAID THAT THE MORE HE STUDIES LATIN AMERICAN DEVELOPMENT THE MORE CONCERNED HE BECOMES. THE LATINS HAVE NOT DEALT WITH THE OBSTACLES TO THE ABSORPTION OF THE LABOR FORCE, WHICH IS THE GREATEST DYNAMIC PROBLEM THEY FACE. THE PROBLEM

IS NOT JUST WITH THE LOWER CLASSES AND RURAL POOR BUT ALSO THE WHOLE GENERATION OF YOUNG PEOPLE WHO ARE TAKING ADVANTAGE OF EDUCATION AND ARE QUESTIONING THE VALIDITY OF A SYSTEM WHICH DOES NOT PROVIDE OPPORTUNITES FOR MEANINGFUL EMPLOYMENT OF THEIR SKILLS. THE SAME DOUBTS ALSO CONFRONT THOSE ABOSRBED INTO THE SYSTEM WHO FIND THAT THE DISTRIBUTION OF INCOME DOES NOT BEHAVE BY ANY ETHICAL PRINCIPLE.

7. PREBISCH SAID THAT INCOME DISTRIBUTION PROBLEMS ARE GROWING AND LEADING TO IMBALANCE IN THE ECONOMIC SYSTEM AND THE DEMOCRATIC PROCESS. MARKET FORCES, WHICH ARE A VERY POWERFUL AND EFFECTIVE TECHNICAL TOOL, ARE NOT FULFILLING THEIR SOCIAL ROLE BECAUSE OF THE INADEQUATE STRUCTURE OF THE SYSTEM. HE EXPRESSED THE FEAR THAT LATIN AMERICA IS LOSING FAITH IN THE WESTERN SYSTEM.

8. HE SAID NO ONE SHOULD BE SURPRISED THAT THE ISSUE OF HUMAN RIGHTS IS RAISED. HE SUPPORTED AMBASSADOR YOUNG'S STATEMENT  
UNCLASSIFIED

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PAGE 04 STATE 106865

ON THE IMPORTANCE OF HUMAN RIGHTS AND SAID THAT THIS EXPRESSION OF MORAL SOLIDARITY BY THE NORTHERN HEMISPHERE IS SIGNIFICANT. HE CALLEF FOR A DEEP EXAMINATION OF THE PROCESS WHICH HAS PRODUCED THE PATTERN OF VIOLENCE AND COUNTER-VIOLENCE IN LATIN-AMERICA AND SAID THAT UNLESS LATIN AMERICA CAN BRING ETHICAL SENSE TO ITS WON INTERNAL ORDER IT WILL NEVER PRODUCE A CONCRETE NEW INTERNATIONAL ORDER. HE CAUTIONED THAT THE MORAL SOLIDARITY ON THIS ISSUE NOT TAKE THE FORM OF PUNISHMENT INCLUDING ATTEMPTS TO USE THE INTERNATIONAL FIANCIAL INSTITUTIONS TO INTERFERE IN THE INTERNAL AFFAIRS OF LATIN AMERICA.

9. COMMENT: PREBISCH AND/OR HIS SPEECH RECEIVED THE LONGEST APPLAUSE OF ANY STEMENTS AT THE CLA. IT WAS THE PERSONALSTATEMENTOF ONE OF THE MOST RESPECTED INTELLECTS AND THINKERS OF LATIN AMERICA AND WAS DELIVERED WITH GREAT CONVICTION AND EFFECTIVENESS.

BOSTER

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